

**A STUDY ON THE RELATIONSHIP BETWEEN
STORE IMAGE, STORE SATISFACTION
AND STORE LOYALTY**

By

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DEDICATION

This thesis is dedicated to my beloved Appa and Amma who have supported me all the way since the beginning of my studies.

Also, this thesis is dedicated to my family, who offered me unconditional love and support throughout the course of this thesis.

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ABSTRAK

Melalui penyelidikan ini, penyelidik berusaha untuk meninjau hubungan antara imej stor, kepuasan terhadap stor dan kesetiaan terhadap stor dalam industri peruncitan. Model penyelidikan yang telah diubahsuai dari Bloemer dan Ruyter (1998) digunakan untuk mengkaitkan imej stor dan kepuasan terhadap stor dengan kesetiaan terhadap stor. Empat hipotesis penyelidikan telah diungkapkan untuk memeriksa hubungan-hubungan yang telah dicadangkan. Data yang diperolehi daripada 180 pelanggan pasar raya kecil/pasar raya besar digunakan untuk menganalisis hipotesis-hipotesis. Keputusan analisis menunjukkan bahawa i) imej stor mempunyai hubungan langsung dan secara tidak langsung dengan kesetiaan terhadap stor melalui kepuasan terhadap stor, ii) terdapat hubungkait signifikan di antara imej stor dan kepuasan terhadap stor dan iii) kepuasan terhadap stor mempunyai hubungkait dengan kesetiaan terhadap stor. Keputusan ini memberi beberapa pemahaman penting dalam mengurus pasar raya kecil/pasar raya besar. Kesimpulannya, pelanggan yang setia terhadap stor adalah pelanggan yang berpuas hati dengan stor dan mempunyai imej yang positif terhadap stor.

ABSTRACT

Through this research, the researcher attempted to explore the store image, store satisfaction and store loyalty relationship in the retail industry. The research model adapted from Bloemer and Ruyter (1998) was used to link store image and store satisfaction to store loyalty. Four research hypotheses have been formulated to examine the relationships proposed. The data collected from a sample of 180 hypermarkets/supermarkets customers were used to analysis the hypotheses. The findings show that i) store image is both directly and indirectly related to store loyalty via store satisfaction, ii) store image has significant relationship with store satisfaction and iii) store satisfaction is significantly related to store loyalty. The results provide several important insights in managing hypermarkets/supermarkets. It can be concluded that loyal customers are those customers who are satisfied with the store and have a positive image towards the store.

Chapter 1

INTRODUCTION

1.0 Introduction

The retail environment in Malaysia has undergone a continuous and marked change over the decades. Key growth drivers for the Malaysia's retail industry include the gradual liberalization of the market, declining domestic production, increasing reliance on food imports and increasing tourist flows (PricewaterhouseCoopers, 2004/2005). Retail has been one of the most active sub-sectors in the Malaysian economy. The importance of the retail sector is reflected in its contribution to GDP. This sub-sector as a whole contributed 8% of the national income in 2005, rising from 7.1% in 2004 (Bank Negara Malaysia, 2006).

The retail sector in Malaysia is mainly made up of small mixed retailers, small family businesses, bazaars, and wet and dry markets. Nowadays, however, the retail sector also comprises of departmental stores, supermarkets, hypermarkets, and small- and medium-size specialty stores which are housed together in shopping malls and plazas. High and middle income households spend most of their money at hypermarkets, followed by supermarkets and traditional grocery stores (PricewaterhouseCoopers, 2004/2005).

The Malaysian retail scene is gearing up for intense competition with more players and expansion plan undertaken by foreign players. Some retailers have managed to address the competition by focusing on location and targeting certain segment. However as Malaysia's consumer lifestyle changes due to healthy economy, rising standards of living and education and a well-paid populace, retailers need to understand the consumer-patronage behavior in order to grow their business.

1.1 Background

Nowadays, the retail sector comprises of shopping malls, department stores, hypermarkets, shopping arcades and specialty stores (Table 1.1). Supermarkets and hypermarkets are found in major urban areas where there is a large population of middle to high-income consumers while smaller size supermarkets are found in the smaller towns. With all the choices available today, retailers cannot afford to disappoint consumers or they risk lost customers. Retailers must understand how consumers view other competing retail formats and focus on strategies to increase consumer satisfaction and to retain customers.

Gone are the days when retail stores can survive purely on the basis of the brands they merchandise. In fact the concept of selling a product to as many people as possible at least once may have been relevant in a growth market, but when a market matures, retailers need to realize that it is of paramount importance to maintain loyal customers as well as search for new customers (Gilbert, 2003). To become the primary store for customers, retailers must develop strategies that recognize loyalty as a multifaceted and complex variable influencing customer preferences and decision making.

Despite the prevailing stiff competition, hypermarkets and supermarkets can continue to have good opportunities for future growth provided the frequency of consumer visit improves. Increasing and sustaining repeat buying behavior among store customers can significantly increase profits of retail stores. Hence it is important for retail managers to gain store loyalty from its existing customer. If retailers could determine the nature and degree of store loyalty, they could attempt to develop better retail strategies in order to increase or maintain satisfactory levels of store sales.

Table 1.1

Major Retailers Involved in the Operation of Various Stores in Malaysia

Ran - king	Group Name	Ownership	Retail Formats	No. of stores	2003 Net Sales (USD million)
1	Dairy Farm Giant Retail	Dairy Farm International Hong Kong*	Supermarket/ superstores (42) and hypermarkets (12)	54	487
2	Jaya Jusco	Jaya Jusco Stores Bhd: Aeon Group, Japan	Superstore chain and shopping center operation	11	361
3	The Store Corporation	The Store Corp	Department stores-cum- supermarkets (36), Hypermarkets (2)	38	297
4	Carrefour	Magnificent Diagraph, France	Hypermarket	7	234
5	Tesco	70:30 JV between Tesco, UK and Sime Darby Bhd, Malaysia	Hypermarket	5	226
6	Makro Cash & Carry Distribution	SHV, the Netherlands	Hypermarket	8	195
7	Parkson Retail Group	Parkson Corporation, retailing arm of Lion Diversified	Department store (26), Hypermarket (5)	31	161
8	Courts Mammoth	Courts Plc, United Kingdom	Retailer of furniture and electrical goods	79	131
9	Metrojaya	Metrojaya Bhd	Department store	4	75
10	Ngiu Kee Corporation	TKN Enterprise	Supermarkets and department store	5	41
11	Ikea	Ikea Corporation Sdn Bhd, Sweden	Retailer of home furnishing products	1	34
12	Ocean Capital	Ocean Capital	Department store, supermarket	17	21

*Note: Dairy Farm International has over 170 outlets in Malaysia where it operates Giant hypermarkets, Cold Storage Supermarkets and Guardian pharmacy outlets.

Source: Company's annual reports (as cited in PricewaterhouseCoopers, 2004/2005)

1.2 Problem Statement

Although Malaysia is still dominated by small traditional convenience and neighborhood stores, the solid economic growth has encouraged local and international retailers to introduce Western-style convenience stores, supermarkets, department stores and hypermarkets. In order to stay competitive in this saturated market, all the retailers have no choice but to alter their business tactics to keep up.

The increasing competition in the Malaysia retail industry is pressing retailers to search for new ways to differentiate themselves and gain better competitive position in the minds of customers in order to improve store loyalty. Most retailers would like to have a hard core of loyalty customers who will continue to frequent their outlets. However there is not much research done on store loyalty in the retail industry in Malaysia.

Driven by rapidly changing retail environments, more demanding consumers, intensified competition, and slow-growth markets, retailers are more than ever obliged to continually focus on establishing store satisfaction and store loyalty (Javalgi & Moberg, 1997). Understanding how or why customer satisfaction and loyalty develop remains one of the crucial retail management issues today (Pritchard, Havitz & Howard, 1999). This reasons forced both marketing academicians and practitioners to look into the various factors affecting store loyalty.

There are some evidences that store loyalty may be determined by store image (Osman, 1993). However it has remained unclear what's the exact relationship between image, satisfaction and loyalty in a retail setting. Therefore the focus of this research is to investigate the relationship between store satisfaction and store loyalty taking into consideration the effect of store image. A model adapted from Bloemer and Ruyter (1998) will be used for this research.

1.3 Research Objectives

There are too many retailers in today's marketplace. In order to remain successful in business, retailers need to better understand how store loyalty influence consumer's decision to spend money in their stores. There is a clear economic need for retailers to understand how store loyalty occurs. However research into the relationship between store images, store satisfaction and store loyalty is still in its infancy in Malaysia.

Therefore this research attempt to achieve the following:

- i. To examine the relationship between store image and store loyalty
- ii. To examine the relationship between store image and store satisfaction
- iii. To examine the relationship between store satisfaction and store loyalty
- iv. To examine the relationship between store image, store satisfaction and store loyalty

1.4 Research Questions

The above objective raises a few questions on the interrelationship among store image, store satisfaction and store loyalty. The questions are:

1. Is there any positive relationship between store image and store loyalty?
2. Is there any positive relationship between store image and store satisfaction?
3. Is there any positive relationship between store satisfaction and store loyalty?
4. Whether there is an indirect relationship between store image and store loyalty via store satisfaction?

1.5 Definition of Key Terms

Key terms used through out this research are defined below for ease of reference:

- i. *Store loyalty* – the biased (i.e. non random) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological (decision making and evaluative) process resulting in store commitment (Bloemer & Ruyter, 1998).
- ii. *Store image* – the complex of a consumer's perceptions of a store on different (salient) attributes (Bloemer & Ruyter, 1998).
- iii. *Core service* – core service of retail stores is implicit (services associated with the distribution of goods) because it expedites the retail exchange through providing distribution services (Grace & O'Cass, 2005).
- iv. *Perceived value for money* – tradeoff between performance (e.g. service quality) and monetary sacrifice (e.g. price) (Patterson & Spreng, 1997).
- v. *Employee service* – services provided by the store's staff (Grace & O'Cass, 2005).
- vi. *Servicescape* – “built environment” or more specifically, the “man made, physical surroundings as opposed to the natural or social environment” (Bitner, 1992).
- vii. *Store satisfaction* – the outcome of the subjective evaluation that the chosen alternative (the store) meets or exceeds expectations (Bloemer & Ruyter, 1998).
- viii. *Hypermarket* – is a superstore which combines a supermarket and a department store, result into a gigantic retail facility which carries enormous range of products under one roof, including full lines of fresh groceries and apparel (Gilbert, 2003).
- ix. *Supermarket* - a large self-service grocery store selling groceries and dairy products and household goods (Gilbert, 2003).

1.6 Significance of the Study

Although retailers understand that it is important to develop a loyal customer base, they may not necessarily understand how to accomplish this goal. A deeper understanding of what engenders store loyalty would be beneficial to retailers in developing appropriate strategies to satisfy loyal customers and to maintain a competitive advantage.

Therefore, this research intends to explore the relationship between store image, store satisfaction and store loyalty. The knowledge gained by investigating the interrelationship among store images, store satisfaction and store loyalty will help to promote the marketing strategies for retailers. Useful information can be used to guide retailers in formulating ideas and program for marketing activities.

1.7 Organization of Remaining Chapters

This research consists of five chapters. Introduction, background, problem statement, research question, research objective and significance of the study are presented in Chapter 1. Chapter 2 covers literature reviews on elements relating to this research such as store image, store satisfaction and store loyalty. Theoretical framework and hypotheses which were developed based on the literature review are also presented in this chapter. Chapter 3 explains the research methodology used in this study. It outlines the introduction, research design, variables used in the research, population and sample, questionnaire design, data collection, data coding and data analysis. Chapter 4 presents the profile of the respondents, statistical analysis, hypothesis testing and summary of the result. Lastly, Chapter 5 presents the discussion of the results. The findings of the research are discussed in the context of its implication, limitation of the study, suggestion for future research and conclusion.

Chapter 2

LITERATURE REVIEW

2.0 Introduction

This chapter will first review the concept of store loyalty, store image and store satisfaction. Secondly a review of literature, which examines empirically the relationship between store image, store satisfaction and store loyalty, is presented. Based on the literature review, theoretical framework and hypotheses are developed and presented at the end of this chapter.

2.1 Store loyalty

Loyalty has been defined and measured in many different ways. Dick and Basu (1994) conceptualized loyalty as the relative attitude toward an entity (brand/service/store/vendor) and repeat patronage. Oliver (1997) defines loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior” (as cited in Kotler & Keller, 2006).

In general, there are three distinctive approaches to measure loyalty: behavioral measurements, attitudinal measurements and composite measurements (Bowen & Chen, 2001). The behavioral measurements consider consistent, repetitious purchase behavior as an indicator of loyalty (Bowen & Chen, 2001). Even early research into store loyalty in the retailing area also concentrated mainly on behavioral aspect. However, behavioral measures, such as repeat purchasing or visiting sequence, have been criticized for a lack of a conceptual basis. Instead it is a consumer's

disposition in terms of preferences or intentions that plays an important role in determining loyalty (Bloemer & Kasper, 1995).

Attitudinal measurements use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty (Bowen & Chen, 2001). The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance (Bowen & Chen, 2001).

Composite measurement of loyalty combined the behavioral and attitudinal dimensions. Dick and Basu (1994), convinced that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage, and that it has both attitudinal and behavioral elements. They verified that the use of both behavior and attitude in defining loyalty significantly increase the predictive power of loyalty. This research has adopted the composite approach in measuring store loyalty.

Relative attitude and repeat patronage behavior signify four levels of loyalty: no loyalty (low relative attitude and low repeat patronage), spurious loyalty (low relative attitude and high repeat patronage), latent loyalty (high relative attitude and low repeat patronage) and loyalty (high relative attitude and high repeat patronage) (Dick & Basu, 1994).

Developing loyalty is particularly important in the retailing sector because loyalty is likely to lead to positive attitudes and behaviors such as repeat patronage and purchases, and positive recommendations, which may influence actual or potential customers (Rowley & Dawes, 1999). Furthermore in retail industry, keeping hold of existing customers becomes the first point of business.

Reichheld and Sasser (1990) have suggested that the cost of recruiting a new customer is five times more than the cost of retaining an existing customer. Therefore, retaining existing customer indirectly helps to save costs in running the business

(Reichheld & Sasser, 1990). By determining the nature and degree of loyalty, retailers could attempt to develop better retail strategies which will ensure that the store will receive loyalty from both existing and prospective customers.

Store loyalty is currently receiving a great deal of interest from retail management. Sirgy and Samli (1985) referred store loyalty as “the disposition of consumers to shop repeatedly in a given store”. Store loyalty can also be defined as “the consumer’s inclination to patronize a given store or chain of stores over time” (Knox & Denison, 2000).

Bloemer and Ruyter (1998) propose that store commitment is a necessary condition for store loyalty to occur. According to Bloemer and Ruyter (1998), when there is no store commitment in the consumer’s repeat visiting or buying behavior, a consumer to a store is merely spuriously loyal or a consumer with inertia repeat visiting behavior (Dick & Basu, 1994). Spurious loyalty does not have the same long-term benefits to a retailer as true loyalty because there is a great likelihood that a spuriously loyal customer can be persuaded to shop elsewhere (Dick & Basu, 1994). Therefore, store loyalty can be defined as “the biased behavioral response, expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological decision-making and evaluative process resulting in store commitment (Bloemer & Ruyter, 1998).

Store loyalty is of interest to retailers because it is an important factor in retail marketing success. Loyal customers require less persuasion than customers who have no previous experience of a store. Therefore store managers need to make moves to ensure that they have a strategy for the creation of a loyal customer base. Knox and Denison (2000) highlighted the importance of developing a corporate retail strategy to manage store loyalty and prevent shoppers from switching stores.

2.2 Store Image

The term “image” is currently used in a variety of contexts: corporate image, brand image, public image, self image, store image, and so on (Jantan & Kamaruddin, 1999). Image is expressed as “function of the salient attributes of a particular store that are evaluated and weighted against each other” (Bloemer & Ruyter, 1998). Image can also be defined as “the way the public perceives the company or its products” (Kotler & Keller, 2006). Consumers form images of various stores based on their perceptions of the attributes they consider important and this overall perception is known as store image (Bloemer & Ruyter, 1998).

Retail image is generally described as a combination of a store’s functional qualities and the psychological attributes, a concept which is difficult to explore and manage (Porter & Claycomb, 1997). However, over the years different authors have distinguished different store attributes or characteristics that are part of the overall image towards the store (Bloemer & Ruyter, 1998). For example, some of the more common dimensions identified by researchers have been associated with store impression, variety, pleasantness of consumers, produce, honesty, prices, meats and services; merchandising, service convenience, facility convenience, congestion, clean and spacious atmosphere, price competitiveness and fashion; and store atmosphere, location, value, employee service and after sale service (Lessig, 1973; Kim & Jin, 2001; Koo, 2003).

Jantan and Kamaruddin (1999) examined image attributes such as location, merchandise, price, physical facilities, promotions and advertising, store atmosphere and service of store which influences shopping behavior of Malaysian consumers. Their findings suggest that location and service have a strong impact on the patronage behavior. Similarly, Kim and Jin (2001) in their study identified location as the most

important factor in attracting patrons to a shopping area. Store image is an important component in store loyalty (Osman, 1993). In a recent study about Malaysia's sports footwear industry, a significant correlation was also found between retail store image and store patronage (Pin, 2003). Chang and Tu (2005) divided store image dimension into four operational variables such as "facilities, store service, store activities and convenience". Their studies support that store image dimensions can effectively predict customer satisfaction and customer loyalty in the retail industry.

In this research, core service, perceived value for money, employee service and servicescapes have been identified as store image dimensions. Core service can be defined as "the basic reason for being in business" (Gronroos, 1990). The reason retail stores are in business is to profit by bringing consumers and merchandise together so that an exchange of value can take place. Core service of retail stores is implicit (services associated with the distribution of goods) because it expedites the retail exchange through providing distribution services such as display of merchandise and providing customers with appropriate delivery and payment options (Grace & O'Cass, 2005).

Perceived value for money is a cognitive evaluation that incorporates the bundling of various aspects of the service and the associated costs of the service in comparison to other competitive offerings (McDougall & Levesque, 2000). Perceived value for money represents the tradeoff between performance (e.g. service quality) and the monetary sacrifice (e.g. price) (Patterson & Spreng, 1997).

Store's employees play a vital and often inseparable role in the delivery of store services and, thus, become an important element of the store's offering. In fact, Nicholls, Gilbert and Roslow (1998) view that the greater the interaction between service staff and customers, the more likely it is that customers will be satisfied with

their experience. The ability of the physical environment (or servicescape) to influence behaviors and to create an image is particularly apparent for service businesses such as hotels, banks and retail stores (Bitner, 1992). Physical setting may also influence the customer's ultimate satisfaction with the service (Bitner, 1990).

For each retail store a strong and distinctive image calls for creativity and hard work. Retail managers can take the first step by conducting image assessment about the store's current image. According to Jantan and Kamaruddin (1999) measurements of store image is important as it will assist retailers in determining their competitive strengths and weakness. By identifying the strength and weakness, retailers can focus on developing strategies that will help to increase store satisfaction and store loyalty.

2.3 Store satisfaction

Satisfaction is often defined as “a customer state arising from a particular service encounter” (Gilbert, 2003). Bloemer and Kasper (1995) stated that satisfaction is believed to occur through a matching of expectations and perceived performance. If the performance falls short of expectations, the customer is dissatisfied and disappointed (Kotler & Keller, 2006). If the performance matches the expectations, the customer is satisfied and if the performance exceeds expectations, the customer is highly satisfied or delighted (Kotler & Keller, 2006). Satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm and has become the most important predictor for future behavioral intention (Shamdasani & Balakrishnan, 2000).

Macintosh and Lockshin (1997) define store satisfaction as “the customer's overall evaluation of the store experience”. More directly related to the retailing, satisfaction can be defined as “the outcome of the subjective evaluation that the

chosen alternative (the store) meets or exceeds expectation” (Bloemer & Ruyter, 1998). The basis for the definition forms the disconfirmation paradigm (Oliver, 1980). Disconfirmation arises from discrepancies between prior expectations and actual performance. There are three possibilities: zero disconfirmation can result when a store performs as expected; positive disconfirmation can occur when the store performs better than expected; and negative disconfirmation when the store performs below expectations and dissatisfaction sets in (Oliver, 1980).

As the customer's level of satisfaction is derived from the confirmation or disconfirmation of expectations regarding all aspects of the store, satisfaction may well be the strongest predictor of behavioral intentions (Grace & O’Cass, 2005). For example, if customers are satisfied then their expectations have either been met or exceeded. If this is the case, then the predictability of future service outcomes is heightened which, in turn, reduces the customer's level of perceived risk, thus increasing the likelihood of repeat patronage (Grace & O’Cass, 2005).

Evidence from past researches revealed that satisfaction created beneficial effect in terms of both behavioral outcomes such as loyalty for service or future intention to patronize (Bloemer, Ruyter & Peters, 1998 and Hui, 2004). A number of research also found that satisfaction is the major contribution of loyalty (Cronin & Taylor, 1992, Shamdasani & Balakrishnan, 2000 and Isa, 2005). Satisfaction is also positively associated with repurchase intention, likelihood of recommending a product or service, loyalty and profitability (Bitner, 1990). Store managers should not be content with having satisfied customers but they need customers who are very satisfied (Bowen & Chen, 2001). In addition to benefiting from the extremely satisfied customers' repeat patronage, the store managers can save marketing expenses because of the extreme satisfied customers' marketing power (Bowen & Chen, 2001).

2.4 Theoretical Framework

The research model is adapted from Bloemer and Ruyter (1998). The model consists of three variables, store image, store satisfaction and store loyalty. Store loyalty is the dependent variable and the primary interest of this research. Store image is the independent variable. Store satisfaction is introduced as mediator variable. The relationships between the variables are discussed in detail in the following sections. Figure 2.1 depicts the research model for this research.

2.4.1 Store Image and Store Loyalty

Positive evaluations of image have additionally been linked to the development of store loyalty. For example Lessig (1973) found a definite relationship between store image and store loyalty. Sirgy and Samli (1985) suggest that image of a shopping area may influence store loyalty. They indicated that if individual have a favorable image of the store, they are likely to develop a certain degree of loyalty commensurate to the favorableness of the image. Osman (1993) found that customer patronage behavior towards a particular store is dependent on the image of that particular store, the more favorable the store image, the higher the valence of the store to the customer.

Koo (2003) examined whether various store image components have a direct bearing on store satisfaction and store loyalty in the discount retail environment. It is found that location, after sales service and merchandising have a direct impact on store loyalty. Chang and Tu (2005) findings suggest that store image is significantly associated with customer's loyalty in the hypermarket industry. In their study, the four image dimension (facilities, store services, store activities and convenience) can effectively predict customer loyalty.

However, Mitchell and Kiral (1998), in a review of a number of store image studies, concluded that they had not identified a link between the store attributes and store loyalty. One such study by Garton (1995), for instance, discovered that perceptions of quality and service provided by the store contributed relatively little to the customer's intention to return to the store. Bloemer and Ruyter (1998) were also unable to find direct effect of store image on store loyalty. Based on these mixed results, this research investigate whether various image dimension have a direct bearing on store loyalty.

2.4.2 Store Image and Store Satisfaction

Stanley and Sewall (1976) found a direct effect of store image on satisfaction. A consumer who perceives a positive image of a particular store is more likely to be satisfied with a store than a consumer who perceives a less positive store image. In line with Stanley and Sewall (1976), we expect a direct effect of store image on store satisfaction. Bloemer and Odekerken-Schroder (2002) revealed that consumer relationship proness, store image and positive affect have a positive impact on store satisfaction. In a study by Koo (2003), store atmosphere and value have significant influence on store satisfaction. This research will examine whether the various store image components have a positive impact on store satisfaction.

2.4.3 Store Satisfaction and Store Loyalty

Satisfaction is an outcome of purchase and consumption of a service or product. Satisfaction has often been regarded as an antecedent of loyalty for various service providers (Dick & Basu, 1994). It is also verified in the retail literature that store satisfaction has positive relationship with store loyalty (Bitner, 1990).

It is well established in the retail literature that store satisfaction leads to store loyalty (Parasuraman, Zeithaml, & Berry, 1994). Dick and Basu (1994) suggest that loyalty is the result of customer satisfaction, which plays a role as a catalyst for loyalty to occur. Macintosh and Lockshin (1997) report that the satisfaction has an influence on store loyalty, a combined measure of store attitude, purchase intention, and percent of business. Juhl, Kristensen, & Ostergaard (2002), verified that for supermarkets the relationship between satisfaction and loyalty is strongly positive.

However Bloemer and Kasper (1995) discuss that the satisfaction-loyalty relationship is not simple and straightforward as the level of elaboration on the part of customer may act as a moderator between satisfaction and loyalty. Bloemer and Ruyter (1998) report in their study on the department store consumers that store image affects satisfaction, which subsequently has impact on store loyalty.

A number of studies also argued that the relationship between satisfaction and loyalty is non-linear (Bowen & Chen, 2001 and Miranda, Konya & Havrila, 2005). Sivadas and Baker-Prewitt (2000) found that satisfaction influences the likelihood of recommending a store as well as repurchase but has no direct impact on loyalty. Koo's (2003) research verified that store satisfaction has insignificant positive effect on discount retail store loyalty. Based on these mixed results, this research hypothesizes to verify the relationship between store satisfaction and store loyalty.

2.4.4 Store Image, Store Satisfaction and Store Loyalty

Bloemer and Ruyter (1998) studies suggest that the store image has an indirect impact on store loyalty. They found that the relationship between store image and store loyalty is mediated by store satisfaction. Chang and Tu (2005) found out that the customer satisfaction acted an intermediation role between store image and customer

loyalty. Therefore, there is both evidence for a direct relationship and an indirect relationship for store image and store loyalty whereby store satisfaction acts as a mediator. So, it is worthwhile to explore the relationship between store image and store loyalty via store satisfaction in this research.

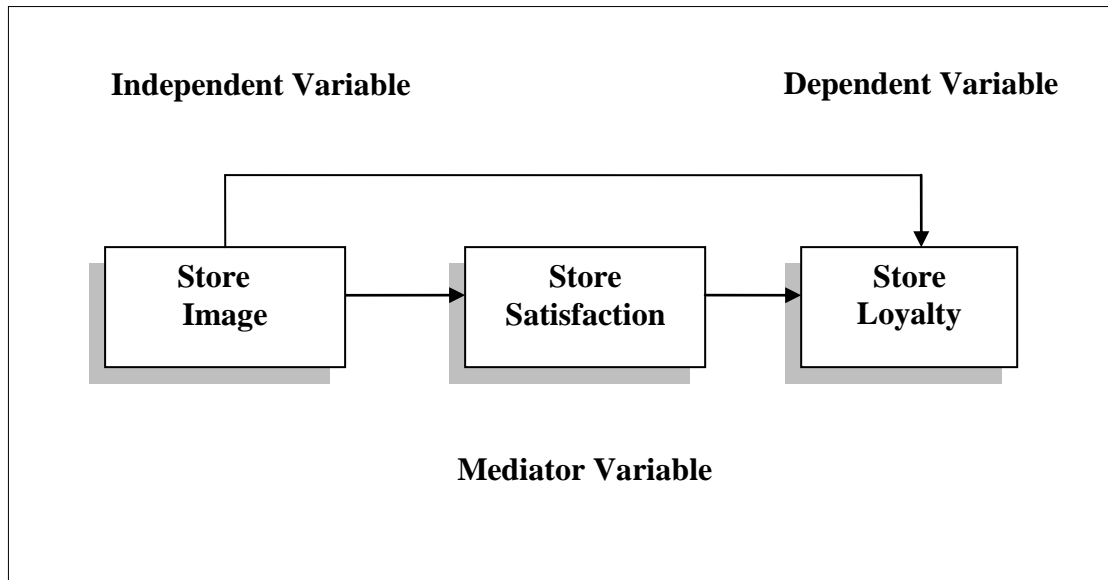


Figure 2.1 Research Model

2.5 Hypothesis Generation

Based on the theoretical framework and research model four hypotheses can be formed:

The first hypothesis is developed to test the relationship between store image and store loyalty.

H1: There is positive relationship between store image and store loyalty.

The second hypothesis is formed to test the relationship between store image and store satisfaction.

H2: There is a positive relationship between store image and store satisfaction.

The third hypothesis is developed to test the relationship between store satisfaction and store loyalty.

H3: There is positive relationship between store satisfaction and store loyalty.

The last hypothesis is formed to test the effect of store satisfaction as a mediator variable between store image and store loyalty.

H4: Store image has an indirect positive effect on store loyalty through store satisfaction.

2.6 Summary

The framework explained in this chapter was established with the intention to study the relationship between store image, store satisfaction and store loyalty. The literature review on the findings and experiences of past researches has provided a good background for this study. Based on the relationships among the variables, several hypotheses were derived. Chapter 3 will discuss the methodology of the study.

Chapter 3

METHODOLOGY

3.0 Introduction

The main objective of this chapter is to explain the methodology used in conducting this study. This chapter begins with research design and continues with other important elements namely population and sample of this study, variables and its measures and questionnaire development. Following that the procedure for collecting, measuring and analyzing data of this study is presented.

3.1 Research Design

This study aims to examine the interrelationship between store image, store satisfaction and store loyalty. The research was designed to empirically test the model developed (Figure 2.1) and discussed in section 2.3. The research was conducted in the mainland of Penang, a northern state of Malaysia. Four major retail stores, namely Sunshine Square, The Store, Carrefour and Billion were chosen for this study.

The initial stage of the research focuses mainly on gathering information from various literature reviews to identify research interest scope. Most of the literature reviews have been obtained through e-library such as Emerald, ProQuest and Science Direct where materials like management journals, marketing journals and etc are published. Besides that, management and marketing handbooks, textbooks and previous researchers' thesis were also used to collect literature reviews.

In the next stage, the questionnaire was carefully designed focusing on items and variables as discussed in previous chapter. In order to test and to eliminate confusing or biased items in the questionnaire, a pilot test was conducted with ten

respondents as the pretest sample. Feedback from the pretest was used to eliminate some of the items which were confusing. Two hundred set of questionnaires were distributed to customer of hypermarkets/supermarkets in order to collect information regarding store image, store satisfaction and store loyalty.

3.2 Variables

This research consists of three variables, store image, store satisfaction and store loyalty. The independent variable is store image and it was divided into four operational variables “core service, perceived value for money, servicescape and employee service”. Store satisfaction was introduced as mediator variable between store image and store loyalty. Store loyalty is the dependent variable for this research.

3.3 Survey Measures

All of the items indicating the store image, store satisfaction, store loyalty and other variables were drawn from previous literature. Seven-point Likert scales were adopted to measure the concepts.

Store image was divided into four operational variables (core service, perceived value for money, employee service and servicescape). Core service was measured with five items following Grace and O’Cass (2005). Perceived value for money was measured with four items from the price value dimension taken from Sweeney and Soutar’s (2001) PERVAL scale. To measure employee service and servicescape, two dimensions of Cronin and Taylor’s (1992) SERVPERF scale was used which resulted in seven items being used for employee service and four items for servicescape.

Store satisfaction was measured with five items. Three item satisfaction scales by Caruana, Money and Berthon (2000) were selected for the purpose of this research. In addition, two items generated by Grace and O’Cass (2005) were included in the scale measuring satisfaction.

A commitment scale, together with the chance of visiting the same store again, was used to determine store loyalty. Five items intentions to revisit the store or repatronage intention from Shamdasani and Balakrishnan (2000) and two item commitment scales from Jacoby and Chestnut (1978) (as cited in Koo, 2003) were adopted in this research to measure store loyalty. Table 3.1 shows the summary of the measurements.

Table 3.1
Summary of Measurement

Variable	Sources	Item
Core service	Grace and O’Cass (2005)	5
Perceived value for money	Sweeney and Soutar (2001)	4
Employee service	Cronin and Taylor (1992)	7
Servicescape	Cronin and Taylor (1992)	4
Satisfaction	Caruana, Money and Berthon (2000)	3
	Grace and O’Cass (2005)	2
Repatronage intention	Shamdasani and Balakrishnan (2000)	5
Commitment	Jacoby and Chestnut (1978), as cited in Koo (2003)	2

3.4 Population and Sample

The population of this research consists of customers of retail stores in the mainland of Penang. The unit of analysis is individual customers patronizing Sunshine Square, The Store, Carrefour and Billion. A total of 200 customers were sampled using mall intercept survey. According to Roscoe (1975), sample size larger than 30 and less than 500 are appropriate for most research (as cited in Sekaran, 2000).

3.5 Questionnaire Design

The questionnaire contained four sections and was preceded by an introduction explaining the purpose of the study. First section consisted of eight question related to the respondent's personal particulars collected for classification or analysis purpose. This includes the respondents' gender, age, race, marital status, number of children, level of education, classification of occupation and income. Respondents were also required to answer two questions regarding respondents' choice of store and patronage frequency. The respondents were highly assured that their personal information and opinion provided will be kept in total anonymity and strictest confidence.

The second section which related to store image was made up of four dimensions with a total of 20 questions. The third section was related to store satisfaction and it contained 5 questions. The fourth section which related to store loyalty was measured in two aspects; repatronage intention and commitment. A total of seven questions were used to measure store loyalty.

The design of the questionnaire in the second, third and fourth section was primarily based on multiple-item measurement scales that have been validated and found to be reliable in previous research. Sample of the questionnaire used in this study is attached as Appendix I.

3.6 Data Collection

Due to limited time and budgetary constraints, data was gathered only in the mainland of Penang state. Data collection adopted a combined approach whereby the survey was person administered but self completed. Respondents were approached by researcher to respond to the survey when they exit the hypermarkets/supermarkets

(mall's intercept). Those willing to participate in this research were given a set of questionnaire.

The respondents were required to indicate their level of agreement/disagreement on a seven point Likert scale ranging from strongly agree (7) to strongly disagree (1) to a series of statements. The researcher remained in the vicinity of the respondents until the respondents had completed the survey. The researcher spoke to the respondents only when minor clarification was needed.

Primary data were obtained through distributing a total number of 200 questionnaires. A total of 185 responses were collected which accounted for 92.5% return rate. By excluding problematic and unanswered questionnaires, 180 questionnaires were put into the analysis, resulting in a valid response rate of 90%.

3.7 Data Edit and Coding

Raw data received was put into a suitable form for further analysis. Editing was performed for errors or omissions on the questionnaires with the purpose of completeness, consistency and reliability of the data collected. Data was also coded accordingly considering criteria like mutually exclusive and independent with no ambiguity between the categories.

3.8 Data Processing and Analysis

After the data were collected, the next step is to analyze them. In this research, the data was analyzed statistically with SPSS version 11.0 (Statistical Package Social Sciences) program for windows. The data were analyzed with statistical tools such as frequency or distribution of the respondents, factor analysis, reliability analysis and multiple regressions in order to get to the desired result.